



ROYAL AUTOMOBILE CLUB OF AUSTRALIA
INCORPORATING IMPERIAL SERVICE CLUB LTD.
ABN 44 000 016 044

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of the Royal Automobile Club of Australia Incorporating Imperial Service Club Limited will be held at the Club rooms, 89 Macquarie Street, Sydney on **Thursday 28 February 2019 at 5.30 p.m.**

AGENDA

Special Resolution SR03/19:

To consider, and if thought appropriate, resolve (which resolution must be passed by a majority of 75% of those members present and voting in accordance with the Constitution of the Club):

That the Board proceed to appoint Colliers International project managers and its designated experts or other suitably qualified service provider as determined by the Board to prepare a Development Application on terms satisfactory to the Board of the Club and its members for further floor space envelope above the current building; and commit the necessary funds up to \$900,000 for such process.

By order of the Board

Markus Friedler
CEO/Secretary Manager

29 January, 2019.

Notes for EGM 2019:

Dear Member,

As you are aware, on 20 December 2018 the Club held an Extraordinary General Meeting of members (EGM) to seek approval for the Club to incur the necessary expenditure to undertake due diligence to determine:

1. with the assistance of Colliers project management team and various eminent experts in their respective fields of expertise (planners, architects, heritage experts, quantity surveyors, engineers, surveyors), what area envelope above our existing building is available for development, whether commercial or residential; and
2. to prepare a Stage 1 development application to seek approval from Council to develop such area envelope.

Whilst the Constitution of the Club empowers your Board to make these decisions, the Board has repeatedly indicated to members that it is fundamental that our members collectively resolve to approve any decision that significantly impacts on the future of their Club.

An ordinary resolution is sufficient for such a mandate, however it was unanimously agreed by your Board, being a matter of such importance to its membership, that that we seek a special resolution requiring the support of 75% of our membership to ensure the mandate of members is in no doubt.

At the EGM the Board and management were pleased to receive 72% support for the proposed resolutions, just short of the required percentage. That support has been complemented by emails of support from members who could not attend, and emails of encouragement to continue to pursue such development, for which we thank those members.

Abstaining or dissenting Member Issues

At the EGM and in subsequent correspondence with the Club, members not presently supportive of the Board's proposal have raised the following issues:

1. Why the Club as presently constituted cannot introduce initiatives that raise capital without the need for any redevelopment such as converting the gym and Harbour Room to commercial space;
2. Colliers are real estate agents not project managers;
3. The project managers put forward have no CBD experience;
4. There will be approximately 300,000 square metres of high tech office space in the same neighborhood at the time of completion of such a project;
5. Why the Board does not seek expressions of interest, or tender for such a project; based on perceived due process and procedure for the provision of services;
6. Why the Board does not propose to establish a members working committee to oversee such a project;
7. Has the Board considered heritage grants as an alternative;
8. Has the Board considered borrowing against the building, and

9. Has the Board considered selling heritage airspace rights.

The Board welcomes robust critique of all areas touching upon such an important project but assures members that the above areas of concern have been considered as we explain below.

1. The Harbour Room and Gym are essential service areas for our members, as they exist. They will be upgraded should the Club secure an approval, and hence necessary infrastructure capital to be included in any refurbishment and/or re-design of the existing facilities.
2. This statement that Colliers are not Project Managers is simply not accurate:
 - a. The project management team, as previously advised, Scott Anderson, Chris Andrews, Robert Mc Guinness and Mark Thebridge, will lead a leading group of industry experts. Their collective CBD experience includes:
 - i. the refurbishment of David Jones Market and Elizabeth Street stores (\$90 million) allowing trade to continue; and
 - ii. the \$1Bn Paradise Project, Liverpool, UK which involved master planning, design and delivery of Stage 1 working intimately with heritage requirements around existing buildings and the old Liverpool docks;
 - iii. Queen Square law Courts (\$355 million);
 - iv. Australian Museum, Sydney (\$20 million);
 - v. Sydney Town Hall Arcade (\$15 million);
 - vi. Harbour Bridge Pedestrian balustrading;
 - vii. St Vincents College Potts Point (\$13 million);
 - viii. Gateway Podium Development, Circular Quay (\$35 million)
 - ix. Catholic Institute of Sydney and Veech Library.
 - b. The expert team, details of whom have previously been circulated, are distinguished in their respective fields and possess:
 - i. Extensive CBD experience across multiple classes of assets and complex projects; and
 - ii. Experience in handling sensitive heritage projects.
 - c. An obvious synergy of Colliers now having project management expertise within their business is, if and when a DA is secured and development space then becomes available for offer to the public, Colliers are well placed to assist us to expedite and optimise the capitalisation of the development envelope given their residential and commercial background and experience. For example from Mr Dwight Hillier, Colliers Managing Director of Strategic Valuation & Advisory Services.
3. The examples in 2 above respond to the assertion made at the EGM that either Scott Anderson has no CBD experience, or the broader project management team and/or experts lack the requisite or CBD experience.
4. Members should note that:
 - a. The primary and present focus is to establish the number of square metres that Council may allow the Club to develop above the existing building (up to 11 floors on current understanding up to the height maximum of 55 metres).

- b. Once that envelope is known then concepts and proposals as to residential or commercial will follow. This will include the design of the further space, and the fitout/design or remediation of each floor within the building (and any further space above that may be available for the Club). The fit out must and will preserve its heritage character. Major areas for remediation are services within the existing building.
 - c. In relation to design of new airspace, the ideas of a number of architects at the appropriate time, possibly sourced from an international design competition, may be obtained.
 - d. The current idea is to sell the commercial or other space (on long term lease) given the complementary synergies with facilities of RACA offering exercise and fitness, food and beverage and accommodation. That may be reconsidered having regard to prevailing conditions at the time when approval and the resultant capital that may be available will be known.
 - e. Information available to the Board at this point in time is that:
 - i. The office stock in the CBD core has actually reduced by 150,000sqm over the past 10 years which has been a major contributor to strong rental growth; and
 - ii. in the Circular Quay precinct AMP has/will create approximately 88,000 square metres of commercial space, of which up to 70% will be occupied by AMP and has been committed.
 - f. Space offered at 89 Macquarie Street, Sydney will be superior in both location and aspect, and we predict quality, to general space which may be available in the general CBD of Sydney.
5. Experience in property and development approval process dictates a need to approach and source the best known experts in all industry fields of applicable expertise. By way of example professionals familiar with planning are well acquainted with Urbis and their undoubted professionalism and expertise in their field. Similar comment pertains to other experts. The Club believes that it has secured leading and well experienced experts in heritage, planning, architectural, structural and services engineering, surveying, and quantity surveying. In those circumstances there is no professional, commercial or strategic reason to go to the market for such specialist work. There well may be many in each market willing to participate without the requisite experience or reputation; however your Board is interested in approaching and retaining the best in their respective professions or areas of expertise, which we believe we have done. That is not to say the category of advisers may be closed over the term of the project.

The Board and the Club control the process, the process does not control the Board and the Club. The Board does not want to manage a group of experts who may not be able to work together and therefore put at risk the successful delivery of this critical project.

The Property Committee has held several meetings over the past 12 months reporting to the Board who discussed the development at most of its monthly meetings:

- The Property Committee met on 9 March 2018 and 4 April 2018.
 - A full property inspection was conducted on 20 April 2018 with project managers, Chris Andrews and Scott Anderson.
 - Further meetings were held 25 May 2018, 6 July 2018.
 - On 14 August 2018 the Property Committee attended a Credit Suisse presentation.
 - On 19 September 2018 the President met Scott Anderson to discuss appropriate experts.
 - On 2 October 2018 the Property Committee received a full presentation and written submission analysing hotel, residential and commercial feasibilities including construction and remediation costs.
 - Follow up meetings were held on 2 November 2018 and 6 December 2018 leading up to the EGM.
6. Members have, and will continue, to be informed and consulted as this project proceeds. Your working committee is the project manager with experienced experts in their requisite fields reporting to the Board, which is legally responsible to its membership. As opined by at least one member at the EGM, members would not want to be placed in a position to select an expert when many have neither the experience nor knowledge of such experts.

The current feasibility is to generate enough capital to apply up to \$3.5 million per floor to remediate. Each floor would take up to 12 weeks. This cannot occur until we have a DA, sales of commercial space or residential (car parking is an issue with residential more so than commercial) on long term leases. The Albert Street façade also requires between \$1m- \$2m in capital to make good.

As to future capital requirements, a 2005 Condition of Fabric and Services report (see below) estimated that the Club will incur repairs and maintenance capital expenditure of up to \$6.5 million between 2010 and 2020 excluding the Albert Street façade (\$1.5 to 2m).

These costs were estimated in 2005 so the works budget may well have increased due to increased costs and further deterioration.

Heritage grants are available up to \$150,000, if matched by the recipient, with \$20,000 for urgently required repairs. This is a benefit at the appropriate time we may well access, but it is not of sufficient quantum to deal with the structural issues raised in our fabric and services report or elsewhere.

7. If the Club uses its available overdraft facility, it follows that, to the extent that facility is secured by the building, we are borrowing.
8. For the reasons set out in 7 above, a sale of heritage airspace, available every 25 years, would have a current value of approximately \$8 million. This is a fall back position to recoup borrowing and remediate Albert Street should the attainment of an appropriate development consent prove to be problematic. However the Board is proceeding with optimism that we can secure the better outcome and not encumber the future in this way.

Development Background

The Board holds many reports, obtained during my many years on the Board of the Club, including:

1. 2005 Condition of Fabric and Services and Conservation Report prepared by:
 - (Jackson Teece Chesterman Willis Pty Limited(Architects);
 - WT Partnership (Quantity Surveyor);
 - Trevor R Howse and Associates Pty Ltd (BCA); Thomson Kane Hydraulic Engineers (Hydraulics/Fire Services);
 - Steensen Varning (Australia Pty Limited (Mechanical/Electrical); and
 - Tierney & Partners Pty Ltd (Structure) and Roy Barry & Associates (Lifts)).
2. Evaluation Report by Roberts Day dated October 2015 of the Sir Stamford DA 2015 and subsequent Land & Environment Court proceedings; and
3. Heritage Constraints Report (Godden Mackay Logan).

The Board, having the benefit of such reports understands the impact of increasing operational and maintenance costs, significant lifecycle costs, heritage requirements, and safety and operational risks within such an aging building. Member retention and growth requires preservation, revitalisation and enhancement of our heritage building, the focus of our expert team.

Any remediation WILL and MUST be sympathetic to this heritage building, whilst upgrading infrastructure and services, environmental performance, and future proofing club operations and information technology.

Prior to the EGM representatives of the Board met with a steering committee of the Club's Motoring Group, whose members have expertise in valuation, architectural, engineering and investment banking. They endorsed the approach of the Board.

The Board has done significant due diligence as to its current experts, including speaking with project management at Mirvac, and a reputable CBD firm of Architects, Ed Lippmann, currently assisting AMP on the heritage restoration of the Gallipoli Club site at 12-14 Loftus Street site, and who was the principal architect for Chifley Tower, Sydney. Mr Lippmann endorses the expertise and industry reputation of the team put forward and will, in conjunction with BVN, assist the Club with our project.

Board Recommendation

The Board has at its disposal an expert team ready and available, with the principals of each expert committed to personally advise on this project, commencing immediately.

The Board is of the collective view that we need to proceed without undue delay, particularly given the building's recurring unbudgeted structural and maintenance issues and in a background where AMP are commencing significant commercial development in this area which may favourably compete with facilities we currently offer members resulting in reduced restaurant and bar revenue.

It is the firm view of the majority of your Board that we must be very careful not to discard the considerable due diligence, expertise, and discussion and distillation of ideas and experts to date (and information developed over a number of years) and consume ourselves with general concepts of unproductive due process.

Whatever the competing views as discussed above, the Board urges all members to commit the necessary capital and approve the engagement of our selected experts to proceed with this necessary restoration project without further delay.

The Board will reconvene a further EGM on Thursday 28 February 2019 at 5.30 PM and looks forward to the support of members to attend and vote in favour of the following proposed resolution:

That the Board proceed to appoint Colliers International project managers and its designated experts or other suitably qualified service provider as determined by the Board to prepare a Development Application on terms satisfactory to the Board of the Club and its members for further floor space envelope above the current building; and commit the necessary funds up to \$900,000 for such process.

Yours sincerely,

Michael Callanan
President
Royal Automobile Club of Australia Limited
(incorporating Imperial Services Club Limited)